CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of June 21st 1978

Attendance: Mr. E.A. Lemieux, Vice Chairman, Prof. A. Dickie, Prof. C. Goldman, Prof. G. Martin, Mr. C. Waters, Miss M.D. Johnson, Messrs. B. Morency and R. Brochu of William M. Mercer Ltd.

Minutes of May 31st 1978

Subject to changing the first sentence under the heading investments on page 3 to read:

> " Mr. Waters advised the Committee members that McLean Budden proposed to sell 51% of its shares to Metropolitan Trust."

it was proposed by Professor Dickie, seconded by Professor Goldman and unanimously carried that the minutes of May 31st 1978 be adopted as circulated.

Ex-Gratia Pensions

Professor Martin advised the Committee that the increases in ex-gratia pensions proposed by the Committee had been approved by the Board and would become payable from July 1st 1978.

Reciprocal Transfer Agreements

The meeting discussed the documentation previously circulated to Committee members on the above subject (appendix "A").

Mr. Brochu outlined briefly the terms of the Pension Plan as regards to terminations. The individual may now choose a refund of his contributions plus interest if not locked in or a deferred annuity based upon average salary in the 5 years preceding termination.

It was pointed out that unless the individual were older than approximately 45 to 50 years of age, the second option was not attractive since the employee contribution alone would be sufficient to fund this deferred annuity.

Mr. Brochu commented that the highly mobile individual could conceivably reach retirement with a very small pension. To overcome this trait of the Canadian private pension system, several organizations (mostly public or parapublic) had entered into reciprocal transfer agreements; this in effect, allows for the transfer of service credits from one organization to the other under certain conditions:

1 Employee money plus an employer contribution usually equivalent to the employee contribution be paid to the transferee.

2 That the employer portion may not be disbursed in cash to the employee.

Mr. Brochu further explained that the amount of service accorded could vary in accordance with the different rates of contribution in the organizations or if the formula were different (i.e. 1.75%, 1.5%, 2.0% etc.).

The cost involved in such an arrangement would be the University portion refunded on termination. No gain would be made by the fund for members transferring to the Concordia plan since the liability for future pensions would be accepted as well as the transferring University's share. The net result, therefore, would be an increase in cost.

Professor Goldman remarked that reciprocal agreements suited well those who would move around in the public or parapublic sector. Those moving to industry, however, would not benefit from such an arrangement. He suggested, therefore, that those leaving the University who were unable to move to a compatible organization be treated equitably.

A general concensus was reached that any arrangement approved by the University should treat employees equitably; for example:

(a) Where a reciprocal agreement was available, the University would agree to transfer its share of contributions as defined in the agreement.

(b) Where a reciprocal agreement did not exist, the University would transfer an equivalent amount as in (a) above to a new employer pension plan provided that such plans would agree that this portion would not be refundable to the employee and would be used exclusively to fund a retirement benefit.

It was suggested that the expense of such an arrangement could be reduced by:

(a) requiring that the employee have completed a minmum service requirement such as 5 or 10 years.

(b) requiring that the employee's age plus years of service reach a minimum (for example 40 or 45).

(c) that the employer portion refundable be prorated to years of service i.e. 1 year = 10%, 5 years = 50%, 10 or more years = 100%.

It would be difficult to estimate the cost of such a provision as it is difficult to predict the number of people who would opt to exercise the right. It was pointed out that McGill University had such a provision with no service requirements; in spite of this, a large number of people chose a cash refund of their own contributions upon termination. Mr. Brochu estimated that it could cost up to 1% more.

The Committee agreed to meet again on July 18th 1978 to discuss the subject.

It was agreed that at that time:

1 Mercers would have completed most of the valuation of the Plan and would be in a position to advise the Committee of the financial status.

2 Terminations over the past years would be looked into to estimate the cost had such a provision been in effect.

The meeting terminated at 2.00 p.m.

Colin Waters, Secretary